Discovery Life

SECURING THE FUTURE YOU

Funding patterns and pre-funding options

Structuring a Life Plan to **suit your clients' needs**

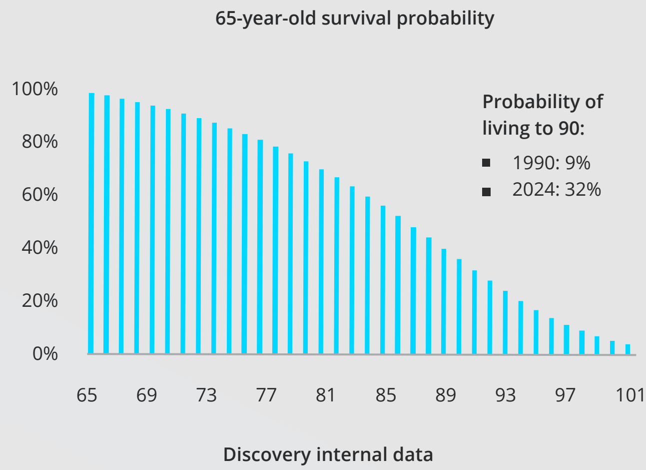
The Discovery Life Plan has been designed to offer clients a structured solution to meet their individual needs. Every component is designed to cover your clients for the financial impact of a particular risk they may face during their lives. We also provide a personalised shared-value experience that allows them to get market-leading value from their life insurance policy. Together, the benefits combine to form the Discovery Life Plan, which covers the entire range of financial and health risks that clients may face, and creates a flexible, personalised solution.

There are many factors to consider when structuring a client's life insurance policy. But perhaps the most important is choosing the correct funding pattern. This decision made today will impact your clients premiums that will keep this important risk protection in place long into the future. Choosing the most appropriate funding pattern today enables clients to maintain a life insurance policy well into the future, as their need for this life insurance grows.

A range of funding options are available, offering your clients flexibility and certainty.

A decision made today that plays out in the future.

Discovery Life's internal data compared to past analysis of the South African population reveals a notable trend towards increased longevity among policyholders. This is driven by improvements in healthcare and living standards. With improved longevity comes a new set of risks for clients. Morbidity risk increases exponentially in retirement with new needs arising, such as long-term care. As these trends emerge, Discovery Life has ensured it provides a unique set of benefits that extend into retirement and convert into relevant risk protection for clients as they age. With the long-term nature of these benefits, it is important to provide clients with a range of flexible funding options, enabling enhanced premium sustainability in retirement for clients.



Discovery Life's whole-of-life protection range.

Longer and more active retirement lifestyles require ongoing risk protection.

Life cover

Life cover is critical to meet **wealth transfer** and deceased **estate needs.**

Severe Illness Benefit

Clients are **4x more** likely to experience a Severe Illness Benefit claim after age 65.

Capital Disability Benefit

Discovery life currently has over R5.3 billion in converted Severe Illness Benefit currently in force. Conversion from occupation-linked disability cover to **illness cover** in retirement allows clients to match their risk as morbidity risk increases.

Income Continuation Benefit with Long-term care

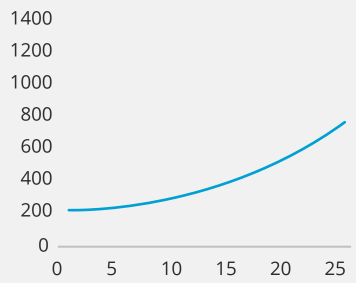
45% of those aged 75 and older require assistance with daily activities.

*Internal Discovery Life research

Discovery Life's funding pattern options

There are three funding options available to suit a client's particular needs. Clients can enjoy absolute certainty because the frequency and premium increases are defined at the beginning of the policy. With each funding pattern comes the choice of an Annual Benefit Increase over time.

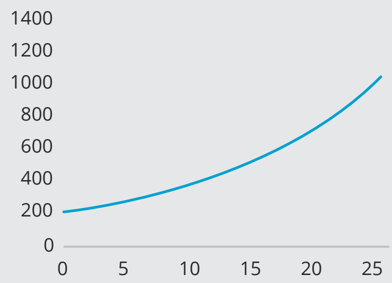
Standard



The Standard funding pattern has the highest starting premium, but the lowest future premium increases, ranging from 1.25% to 6.375% depending on age, in addition to the annual benefit increase percentage.

Annual benefit increase options available: 0%, 6.5% or CPI.

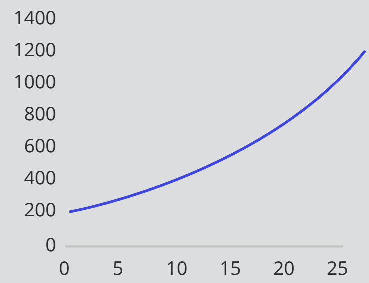
AcceleRater



The AcceleRater funding pattern, in comparison to the Standard funding pattern, has a lower starting premium and steeper annual increases over time. These increases will range from 3% to 9% depending on age, in addition to the annual benefit increase percentage.

Annual benefit increase options available: 3% or CPI.

FlexRater

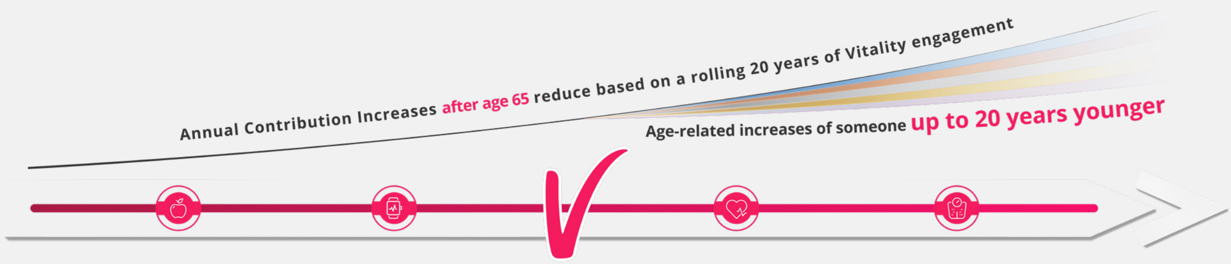


The FlexRater option has the lowest initial premium of all the options. Annual compulsory increases are 2.25% higher than those applicable under the AcceleRater funding option for the first 20 years of the policy (only applicable to whole-of-life benefits).

Annual benefit increase options available: 3% or CPI.

Using Vitality engagement to lower premiums in retirement

Available on integrated Classic, Purple and Essential plans on Advisor 360, the re-engineered **Vitality Premium Leveller** uses a client's health asset built up before retirement to reduce the age applied in the Annual Contribution Increase calculation at anniversary. Through sustained health and wellness management pre-retirement clients can reduce their age-related Annual Contribution Increases by **up to 20 years**, thereby significantly flattening the premium increases during retirement and enhancing the affordability and sustainability of their policies .



AGE REDUCTION FOR YEARLY VITALITY STATUS (MONTHS)

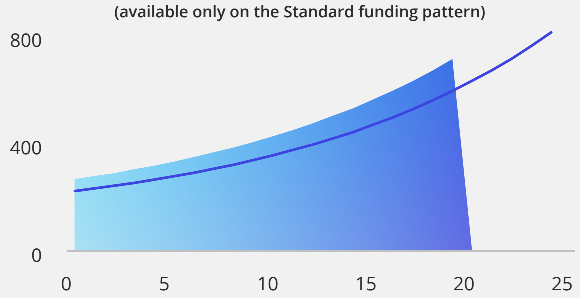
4	6	8	10	12

Enhanced sustainability options

The Paid-up and Lock-in options are available to clients if they choose to add them. They use the concept of pre-funding where clients pay a higher premium upfront and lower premiums in retirement, thus maintaining their cover and making premiums more affordable in the long term. This gives clients the security that the increasing cost of their life insurance, which would otherwise follow their ever-increasing mortality and morbidity risk, will not reduce their spending power in retirement.

The Paid-up benefit

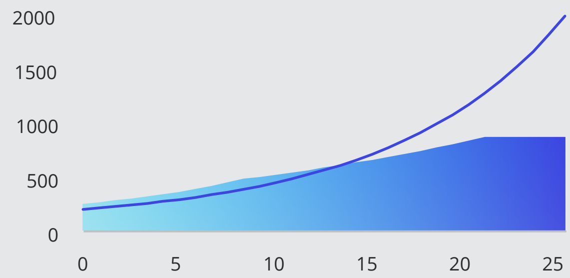
(available only on the Standard funding pattern)



- Standard funding pattern with the Paid-up option
- Standard funding pattern

Adding the Paid-up option to the Standard funding pattern allows a client to stop paying premiums on qualifying benefits at age 65 or 20 years after the start of the benefit, whichever comes later, while cover continues for the rest of the client's life. Benefit and premium increases will stop at age 65.

The Lock-in benefit



- AcceleRater or FlexRater funding pattern with the Lock-in option
- AcceleRater or FlexRater funding pattern

Adding the Lock-in option to the AcceleRater and FlexRater funding patterns means that the Age-rated Automatic Contribution Increases will stop at age 65 or 11 years after the start of the benefit. Clients may choose the fixed or inflation-linked option. This is the rate at which both their cover and premiums will increase until the policy anniversary after their 80th birthday, after which their cover and premium increases are set to 0%.

Flexible options to meet every client's needs

Discovery Life provides clients with flexible options to meet their own personal circumstances. Innovations such as the Paid-up and enhanced Lock-in benefits show how clients can build their policies to match their long-term needs given their unique circumstances.

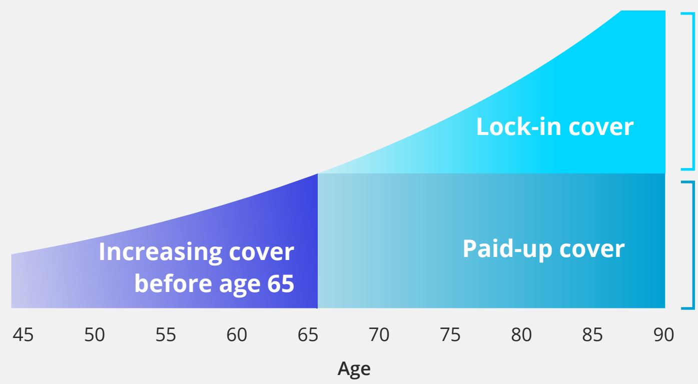
CLIENT FACTORS

- Financial goals
- Family responsibilities
- Health status
- Existing assets

CLIENT NEEDS

- Wealth transfer
- Financial security for dependants
- Managing estate taxes
- Debt repayment

Clients with **Lock-in** continue to experience increases of their benefits into retirement without age-rated premium increases, ensuring that their risk protection needs continue to be met. Clients can now choose either a fixed or inflation-linked Lock-in benefit depending on their own preferences and views around the impact of future inflationary increases. **Paid-up** on Discovery Standard pattern plans continues to protect clients whose risks do not increase in retirement or who have sufficient assets to meet their needs in retirement, allowing clients to plan for a consistent level of cover in retirement.



Benefits increase into retirement without age-rated increases

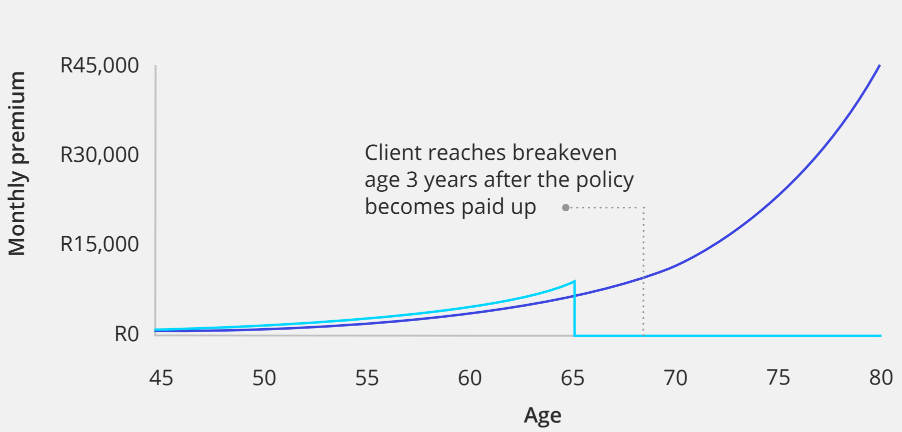
A constant level of cover maintained in retirement without paying premiums.

Value proposition of the **Paid-up benefit**

A 45-year-old non-smoking man takes out a Classic Life plan with R1 million life cover, R500,000 Capital Disability Benefit and R250,000 Severe Illness Benefit.

They have opted for a Standard funding pattern, with annual benefit increases of CPI. The client chooses to add the Paid-up benefit for an additional premium, enabling the upfront funding of premiums from 65 onwards.

Premium projections



Assumptions: No integration adjustments are applied, CPI = 5%, Discount Rate applied = 5%

- **Client without Paid-up benefit** Full premium continues to increase at CPI + 3.5% p.a.
- **Client with Paid-up benefit** Premiums cease at age 65, while client remains covered for whole of life

Offering value across all ages:

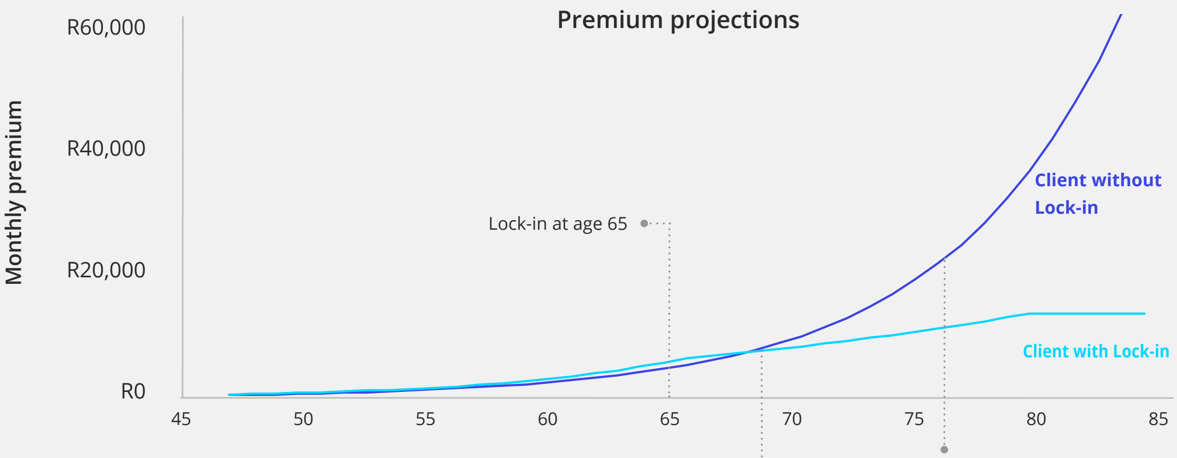
Clients can create significant value by taking the Paid-up benefit at any age, with clients saving up to 77% of premiums in real terms when compared to not taking the Paid-up benefit.

Age next birthday at entry	35	40	45	50	55
Paid-up premium	R44.41	R66.94	R124.52	R191.32	R294.32
Breakeven age	68	68	68	72	73
Present value saving	74%	76%	77%	72%	69%

Assumptions: Non-smoking man with R1m life cover, R500,000 Capital Disability Benefit, R250,000 Severe Illness Benefit. No integration adjustments are applied, CPI = 5%, Discount Rate applied = 5%, present value considers all cashflows to age 90.

Value proposition of the **Lock-in benefit**

The 45-year-old non-smoking male also considers a Classic Life Plan with R1 million life cover, R500,000 Capital Disability Benefit and R250,000 Severe Illness Benefit but on an AcceleRater funding pattern with annual benefit increases of CPI. They can choose to add the Lock-in benefit for an additional premium, enabling optimised pre-funding of premiums from 65 onwards.



Crossover age = 69

Age where the client's premium for Accelerator with Lock-in is now less than the Accelerator premium in nominal terms

Breakeven age = 76

Survival age where beyond this point, the client receives net value from the Lock-In benefit

Assumptions: No integration adjustments are applied, CPI = 5%, Discount Rate applied = 5%

Lock-in benefit transfers investment risk of alternate solutions and longevity risk to the insurer while providing immense value.

The Lock-in Benefit can be compared to an alternative investment such as a living annuity where the drawdown rates align with the age-rated increases after age 65.

Value proposition of the Lock-In benefit

Age	Monthly investment	Lock-in premium
35	R337.19	R32.05
40	R649.27	R61.63
45	R1,275.68	R100.57
50	R2,712.39	R193.24
55	R6,175.81	R294.03

Lock-in 10 to 21 times more affordable

Assumptions: Non-smoking man with R1m life cover, R500,000 Capital Disability Benefit, R250,000 Severe Illness Benefit. No integration adjustments are applied, CPI = 5%, Discount Rate applied = 5%, present value considers all cashflows to age 90. Monthly investment required considering equivalent age-rated increases and an investment return of 10% per year.

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